



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1073 (465)

SEP 18 1984

SUBJECT: Form FmHA 460-2
Subordination by the Government

TO: All State Directors and Farmer Program Chiefs, FmHA

A number of States have encountered problems with lenders not accepting Form FmHA 460-2 due to the requirement of inserting maximum dollar limitation. Due to this fact, some States have developed their own version of Form FmHA 460-2 which amounts to an open-ended subordination agreement. This is not acceptable. If your State presently has a subordination agreement that does not conform to the new National form, you will cease to use the State form and only utilize Form FmHA 460-2 when issuing a subordination agreement.

If there are any questions regarding your State issued "Subordination Agreement" form as to whether it is an open-ended agreement or you feel it does not conform to National Office policy but is needed to comply with State laws, you should submit the form to the National Office with a letter of approval from your Regional Office of the General Counsel and your recommendation.

All State subordination forms issued which do not conform to the new National Form FmHA 460-2 (revised 5/2/83), "Subordination by the Government," will be obsoleted. States must use the new Form FmHA 460-2 or a State form that has been approved by the Administrator.

CHARLES W. SHUMAN
Administrator

EXPIRATION DATE: September 30, 1985

FILING INSTRUCTIONS: Preceding
FmHA Instruction 465.1



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

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3. The borrower has applied the improvements and key management practices spelled out in Item D of the Farm and Home Plan or identified in the CFSA's cash flow schedules.
4. The borrower has properly maintained chattel and real estate security and properly accounted for the sale of security, including crops, livestock and livestock production.
5. A 1985 farm budget, projecting realistic production, commodity prices, family living and production expenses, will be developed. The proposed budget must show that all 1985 production expenses, reasonable family living expenses, and accruing interest on 1985 production loans can be repaid from the 1985 planned income. Borrowers will not be required to show that they can pay principal and interest on other loans. Non-disturbance agreements will be obtained from other creditors, as necessary.
6. If conditions 1 through 5 cannot be met the account will be considered for liquidation at such time as FmHA instructions permit.

As provided in FmHA Instruction 1960-A, Section 1960.12 (e), the County Supervisor will hold a discussion prior to approval with each borrower determined eligible for the assistance authorized. Also, the County Supervisor will advise borrowers by letter of their serious financial condition, the importance of carrying out the plan as developed for the 1985 crop year, and that FmHA is continuing to provide assistance for their operation only on a year-to-year basis. Borrowers will further be advised that their farming operation will be evaluated at the end of the production season and a decision will be made if FmHA will consider further assistance to continue their operation. Attachment A to this AN should be reproduced and used to document the basis for continued assistance. The County Supervisor will date and sign the attachment and place in position number three of the case file.



CHARLES W. SHUMAN
Administrator

Attachment

Sent via electronic mail on Dec. 4, 1984 at 3:54 pm. by DASD/IMP.
This message should be promptly distributed to all County Supervisors and District Directors.